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Noes.

1. The hon. Sir Norman Marjoribanks.
2. " Khan Bahadur Muhammad Usman Sahib Bahadur.
3. " Mr. T. E. Moir.
4. " Mr. A. Y. G. Campbell.
5. " Mr. M. R. Seturatnam Ayyar.
6. " Mr. S. Muthiah Mudaliyar.
7. " Dr. P. Subbarayan.
8. Diwan Bahadur P. Kesava Pillai.
9. Mr. H. A. Watson.
10. " G. T. Boag.
11. " A. McG. C. Tampoe.
12. " S. H. Slater.
13. " C. B. Cotterell.
14. " P. J. Gnanavaram Pillai.
15. " R. Foulkes.
16. Abdul Wahab Sahib Bahadur.
17. Mr. J. Bheemayya.
18. " V. Ch. John.
19. Mahmud Schamnad Sahib Bahadur.
20. Mr. Muppil Nayar of Kavalappara.
21. Subadar-Major S. A. Nanjappa Bahadur.
22. Rao Bahadur O. M. Narayanan Nambudripad.
23. Mr. T. M. Narayanaswami Pillai.
24. " N. Siva Raj.
25. " M. V. Gangadhara Siva.
26. Rao Sahib L. C. Guruswami.
27. Mr. V. I. Muniswami Pillai.
28. " W. P. A. Soundarapandia Nadar.
29. " S. Venkayya.
30. " M. A. Manikkavelu Nayakar.
31. Sir James Simpson.
32. Mr. K. Kay.
33. " A. T. Luker.
34. Rajkumar S. N. Dorai Raja.
35. Rao Sahib R. Srinivasan.
36. Syed Tajudin Sahib Bahadur.
37. Raja of Panagal.
38. Rao Bahadur Sir A. P. Patro.
39. Mr. T. K. Chidambaranatha Mudaliyar.
40. Rao Bahadur S. Ellappa Chettiyar.
41. Abdul Razack Sahib Bahadur.
42. Khadir Mobidin Sahib Bahadur.
43. Moidu Sahib Bahadur.
44. Mr. K. Sarabha Reddi.

Ayes 18. *Noes* 44.

The motion was lost.

The demand was put and carried and the grant was made.

At this stage the Council rose for lunch.

After Lunch—(3 p.m.)

I

QUESTIONS AND ANSWERS—*cont.*

[Vide page 237 supra.]

STARRED QUESTION

Industries

The condition of the Carnatic Paper Mills.

* 1847 A *Q.*—The RAJA OF RAMNAD: Will the hon. the Minister for Development be pleased to state—

(*a*) what is the total amount lent by the Government to the Carnatic Paper Mill;

(*b*) what is the amount spent already in the concern;

(*c*) what is its present liability;

(*d*) whether one of its creditors is seeking a liquidation for non-payment of debts;

(*e*) whether the company has applied to Government for further assistance and if so, on what date and to what extent;

(*f*) why has the application not been disposed of yet;

(*g*) will the Government kindly lend the further loan at least to the extent of its liability immediately and the balance shortly; and

(*h*) what do they propose to do to safeguard their interests in the concern?

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A.—(a) Cash loan of .. ... Rs. 4,71,000
Over draft with Imperial Bank ,, 1,34,469

6,05,469

(b) The value of the assets on 30th June 1927 is Rupees 21, 22, 162-12-2 as per the last balance sheet.

(c) Rs. 7,98,898-6-0 as per the last balance sheet.

(d) Yes.

(e) Yes. An application for Rs. 3,50,000 has been pending from October 1925.

(f) The delay has been due to the need felt for further investigation as to the commercial possibilities of the concern.

(g) & (h) This question is under examination.

Mr. C. RAMASOMAYAJULU :—" May I know if more than 15 lakhs of subscribed capital has been sunk in the concern ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Yes, Sir. "

Mr. C. RAMASOMAYAJULU :—" May I know if the cash loan of Rs. 4,71,000 was lent on the condition that it should be entirely spent in discharging prior debts ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Notice, Sir. "

Mr. C. RAMASOMAYAJULU :—" May I know, Sir, whether the application for loan then made was for 6 lakhs ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Yes. "

Mr. C. RAMASOMAYAJULU :—" May I know if it is a fact that this loan of Rs. 4,71,000 was made eight months after the application was made ? "

The hon. Mr. M. R SETURATNAM AYYAR :—" I believe so. "

Mr. C. RAMASOMAYAJULU :—" May I know, Sir, after this loan was made whether the Tariff Board recommended a loan of 10 lakhs for this concern ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Yes. "

Mr. C. RAMASOMAYAJULU :—" May I know whether the application referred to in answer to clause (c) was made subsequent to the recommendation of the Tariff Board, or rather in accordance with it ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Notice, Sir. "

Mr. C. RAMASOMAYAJULU :—" May I know when this investigation was begun or whether the investigations were really begun ? "

The hon. Mr. M. R SETURATNAM AYYAR :— " Investigations have already begun and there are some reports in our hands and they are under consideration. "

Mr. C. RAMASOMAYAJULU :—" How long ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" For more than a year. "

Mr. C. RAMASOMAYAJULU :—" May I know if the hon. Minister is aware that his predecessor in office when questioned some months back was making promises to pass early orders on the question of the Government taking up this concern ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—" I do not know."

Mr. K. V. R. SWAMI :—" May I know whether enquiries were made before giving this loan ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—" I think so, Sir."

Mr. K. V. R. SWAMI :—" May I know whether the Government were fully satisfied that it would be a profitable concern before they lent the four lakhs and odd ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—" The assets justified the grant of the loan."

Mr. K. V. R. SWAMI :—" Were they satisfied with the affairs of the concern before they lent the money ?"

Mr. A. McG. C. TAMPOE :—" Mr. President, Sir, as far as I understand from the papers, only the value of the assets was considered in making the loan. The Government was not in a position to say whether a particular commercial concern was going to be a definite failure or not. They could not forecast the future of it."

Mr. K. V. R. SWAMI :—" Am I to understand that the question of the concern proving successful or not was not taken into consideration when the money was lent ?"

Mr. A. McG. C. TAMPOE :—" The general probability was that if properly run it would be successful."

Mr. K. V. R. SWAMI :—" Did not this Government send for Mr. Raitt, the Paper Expert of the Government of India, to enquire and report on this matter ?"

Mr. A. McG C. TAMPOE :—" Mr. Raitt is an expert on particular aspects of paper-making. So far as these aspects were concerned, the Government were satisfied."

Mr. K. V. R SWAMI :—" Did he not report that the machinery, the situation, and everything about the mill were satisfactory and that it would end, in profit, but not in loss ?"

Mr. A. McG. C. TAMPOE :—" I do not think he made any general recommendation of that sweeping nature."

Mr. K. V. R. SWAMI :—" Did he object, previous to the lending of the money, on the ground that the machinery was not proper, that the situation was not proper, that the forests were far away and so on ?"

Mr. A. McG. C. TAMPOE :—" He raised no objection with regard to the things that had been done there, but he animadverted on certain things which were not done."

The hon. the PRESIDENT :—" May I know the wish of the Opposition as to how long we are to continue this—the supplementary questions on this question ?"

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Mr. K. V. R. SWAMI :—" Owing to the importance of the subject, I would like to fix half an hour "

* The hon. the PRESIDENT :—" The whole time is at the disposal of the Opposition."

Mr. K. V. R. SWAMI :—" Did Mr. Raitt recommend that six lakhs might be lent ? "

Mr. A. McG. C. TAMPOE :—" Not so far as we know, nor was it within Mr. Raitt's province as an expert on paper to give an opinion on the actual financial condition of a certain concern."

Mr. K. V. R. SWAMI :—" Did he mention in his report that after enquiry he was satisfied that the amount of 20 lakhs was properly spent and that six lakhs might be lent to the concern ? "

Mr. A. McG. C. TAMPOE :—" As far as I know, he made no definite statement of that kind, referring to the actual figures. As far as making paper, I remember now, a general report was made concerning the prospects of etc."

Mr. K. V. R. SWAMI :—" Was the Government satisfied that this concern could not go on unless they gave a further loan ? "

Mr. A. McG. C. TAMPOE :—" The Government have been assured by the Directorate that the only means they have of getting further money is by another loan."

Mr. K. V. R. SWAMI :—" Have the Government taken charge of the mill at Rajahmundry ? "

Mr. A. McG. C. TAMPOE :—" The Government in the Department of Industries have taken possession of the mill at Rajahmundry."

Mr. K. V. R. SWAMI :—" With what view ? Is it with the view of working the mill or selling it away to some European clique ? "

Mr. A. McG. C. TAMPOE :—" That matter is under consideration." (Dr. B. S. Mallayya :—The cat is out of the bag.)

Mr. K. V. R. SWAMI :—" Is it the selling of the mill that is under consideration or the working of it, or both ? "

Mr. A McG. C TAMPOE :—" We have taken possession of the mill in pursuance of the legal rights we have over it. The matter is under consideration."

Mr. K. V. R. SWAMI —" Without knowing what the next step would be, has the Government taken possession of the mill preventing the possibility of the Directorate working the mill ? "

Mr. A. McG. C. TAMPOE :—" Knowing what the further steps are, Government have taken possession of the mill. As to what particular step they are to take, that is under consideration."

Mr. K. V. R. SWAMI :—" Will the hon. Member mention what the possible steps are that are contemplated by the Government in this behalf ? "

Mr. A. McG. C. TAMPOE :—" The possible legal steps, I believe, are bringing it to sale as a creditor or working it ourselves, handing it back to the Directorate and a host of others."

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Mr. K. V. R. Swami :—"Without arriving at any decision with regard to the several steps, how could the hon. Member say that the Government have taken possession of the mill?"

* The hon. the President :—"That has been answered."

Mr. K. V. R. Swami :—"Is it not a fact that some negotiations were going on before taking possession of this mill between a European clique and the Government?"

Mr. A. McG. C. Tampoe :—"I know of no European clique in this connexion."

Mr. K. V. R. Swami :—"Or European firm or a group or number of gentlemen highly interested in the development of this country?" (A voice: Best & Co.)

Mr. A. McG. C. Tampoe :—"The negotiations that have been going on have been with Indian gentlemen."

Mr. K. V. R. Swami :—"Was the Government aware that he was only an agent—the Indian gentleman had no status to go in for a bargain like this?"

The hon. Mr. T. E. Moir :—"That is a matter which is itself under enquiry."

Mr. K. V. R. Swami :—"Is it not a fact that the Finance Member is taking the whole file from the Development Minister and trying to sell away the mill to some European firm?"

The hon. Mr. T. E. Moir :—"It is not so, Sir."

Mr. K. V. R. Swami :—"Is any negotiation going on between certain European group and the Finance Member?"

The hon. Mr. T. E. Moir :—"There is not."

Mr. K. V. R. Swami :—"Does the Finance Member want that the Government should take up the mill and work it?"

The hon. Mr. T. E. Moir :—"As the hon. Mr. Tampoe said these questions are under consideration."

Mr. K. V. R. Swami :—"How long, Sir?"

The hon. Mr. T. E. Moir :—"I can't say, Sir."

Mr. K. V. R. Swami :—"Is the hon. the Finance Member aware that by taking it up the Government is not going to realize even the amount it invested?"

The hon. Mr. T. E. Moir :—"No, Sir."

Mr. K. V. R. Swami :—"Would the hon. the Finance Member take care of the interests of the people and of the shareholders who have invested 16 lakhs of rupees in this firm?"

The hon. Mr. T. E. Moir :—"The duty of the Finance Member is to look after the interests of the Government and of the public purse."

Mr. K. V. R. Swami :—"Not of the people, is that so?"

The hon. Mr. T. E. Moir :—"Not of the individual shareholders."

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Mr. K. V. R. Swami :—"Not of the group of shareholders ?"

The hon. Mr. T. E. Moir :—"Not even of the group of shareholders."

Mr. K. V R. Swami :—"Is he very particular about the interests of European firms—that they should be profited by the sale of this firm ?"

Mr. T. Adinarayana Chettiyar :—"With reference to the answer to (f), when was the investigation begun, Sir ?"

The hon Mr. T. E. Moir :—"Which investigation, may I ask ?"

Mr. T. Adinarayana Chettiyar :—"The investigation referred to in (f) ?"

The hon. Mr. T. E. Moir :—"Investigations have been going on for considerable time, something like 18 months."

Mr. T. Adinarayana Chettiyar :—"Who are the officers investigating Sir ?"

The hon. Mr. T. E. Moir :—"There are various officers."

Mr. Sami Venkatachalam Chetti :—"On a point of order. These questions are addressed to the hon. the Minister for Development but . . ."

* The hon. the President :—'I am thinking of it. I can easily see the inconvenience caused to members by the Member in charge not answering the questions himself. The only alternative will be for the new Minister that has taken charge to demand notice for every supplementary question, and when he began demanding notice I thought it would be to the convenience of the House to allow the Development Secretary and the Finance Member who are both concerned with this, to give information. But if the Leader of the Opposition insists upon the Minister answering them, he will have to wait till next August."

Mr. Sami Venkatachalam Chetti :—"May I make my position, clear, Sir ? I don't mind if the hon the Finance Member, or the Secretary to the Development Department undertakes to answer these questions on behalf of the Development Minister. What I should like to know is where the responsibility for the answers should be placed ?" 3-15 p.m.

* The hon. the President :—"As far as any question of policy of the Government is concerned under the State-Aid to Industries Act, the Minister is to answer. As far as the financial aspect of the question is concerned, both the Development Secretary as well as the Finance Member are in possession of facts and they would better elucidate facts."

Mr. Sami Venkatachalam Chetti :—"I can understand so far as the financial aspect is concerned, but in regard to the question of policy. When my hon. Friend, Mr. Adinarayana Chetti, asked the question relating to the investigation, the hon the Finance Member volunteered information. I should like to know whether the Development Minister or the Finance Member undertakes the responsibility for the answers ?"

Mr. Mahmud Schamnad :—"I wish to know, Sir, whether the Opposition can insist upon particular Member of Government giving the reply ? (Voices : Oh, Oh.) Because, the practice in the Assembly is, for any question put, any Member of Government can answer."

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* The hon. the PRESIDENT :—" Yes, we are trying to settle the procedure."

Mr. S SATYAMURTI :—" On the question of procedure, may I ask whether the hon. the Development Minister takes the responsibility for all the answers given by either his Colleague the Finance Member, or the Development Secretary ? "

The hon. Mr. T. E. MOIR :—" May I say, Sir, that I take the responsibility for any answer that I make ? "

Mr. S. SATYAMURTI :—" My question was intended for the Development Minister, whether he takes full responsibility for all the answers to supplementary questions, whether answered by the hon. the Finance Member or by the Development Secretary ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Every answer made by the Finance Member is taken as one from the Government."

Mr. T. ADINARAYANA CHETTIYAR :—" With regard to the investigation, the hon. the Finance Member said that several people have been investigating the question. May I know the names of the investigators and their qualifications ? "

The hon. Mr. T. E. MOIR :—" May I say, Sir, that I made several answers in this House because I am anxious to give information which is at my disposal and I have been called to question for doing so ? I do not myself propose to answer any further questions. This question was allowed and special facilities were given ; and as hon. Members of the Opposition have chosen to treat it as an offence on my part to attempt to give information to them, I do not see why I should attempt to do so any further."

* The hon. the PRESIDENT :—" As the hon. the Finance Member is not in a mood to answer, the supplementary questions are to be addressed to the Minister."

Mr. SAMI VENKATACHALAM CHETTI :—" I am sorry that the hon. Finance Member should have misunderstood the point of order raised. We are only anxious to know where to place the responsibility (hear, hear), so that such of the powers as can be exercised by the Opposition can be exercised in case the responsibility is taken by the Development Minister. Now the Development Minister has been bold enough to say that he accepts responsibility for all the answers given by the Finance Member ; certainly we have nothing to dispute whether the answer is given by the temporary Minister for Development or by the permanent Secretary for Development We cannot understand why the Finance Member should feel offended at this parliamentary interruption of raising a point of order on this question."

The hon. Mr. T. E. MOIR :—" The leader of the Opposition knows that any Member of Government who answers questions on behalf of the Government accepts full responsibility."

Mr. C. V. VENKATARAMANA AYYANGAR :—" May I know, Sir, if the Tariff Board has gone into this matter ? "

The hon. Mr. M. R. SETURATNAM AYYAR :—" Notice Sir."

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Mr. C. V. Venkataramana Ayyangar :—"May I know if the Tariff Board has recommended a loan of 10 lakhs to this concern ?"

The hon. Mr. M. R. Seturatnam Ayyar :—"Notice, Sir."

Mr. C. V. Venkataramana Ayyangar :—"We will be glad to have an answer. We want to know whether the Government has at any time taken the market value of the concern ?"

Mr. A. McG. C. Tampoe :—"The assets of the company were prepared by Government."

Mr. C. V. Venkataramana Ayyangar :—"May I take it that the assets given here are the assets as taken by the Director of Industries, or whether it refers to the balance-sheet ?"

Mr. A. McG. C. Tampoe :—"Director of Industries."

Mr. C. V. Venkataramana Ayyangar :—"In view of that, I want to know whether the Director of Industries has taken this as the correct asset ?"

Mr. A. McG. C. Tampoe :—"Mr. President, Sir, the valuation of the mill for the purposes of the loan was done by the Director of Industries and it appears in the balance sheet."

Mr. C. V. Venkataramana Ayyangar :—"May I know what is the valuation of the assets as given by the Director of Industries for the purpose of giving a loan ?"

Mr. A. McG. C. Tampoe :—"Notice, Sir."

Mr. C. V. Venkataramana Ayyangar :—"May I know if Government has received notice of a petition in the High Court ?"

The hon. Mr. M. R. Seturatnam Ayyar :—"There is nothing in the file to show that Government knew it."

Mr. C. V. Venkataramana Ayyangar :—"May I know, Sir, on whose information, (*d*) has been answered ?"

The hon. Mr. M. R. Seturatnam Ayyar :—"We understand so, Sir."

Mr. C. V. Venkataramana Ayyangar :—"May I know, Sir, from whom the Government understand it ?"

The hon. Mr. M. R. Seturatnam Ayyar :—"From the creditor."

Mr. C. V. Venkataramana Ayyangar :—"Does it mean that the creditor has reported to Government that he has applied for liquidation ?"

The hon. Mr. M. R. Seturatnam Ayyar :—"Yes."

Mr. C. V. Venkataramana Ayyangar :—"In reply to question (*d*) whether one of its creditors is seeking a liquidation for non-payment of debts, the answer given is 'Yes'. Does the Government know that a petition has been put in the High Court ?"

Mr. A. McG. C. Tampoe :—"We have heard so."

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Mr. C. V. Venkataramana Ayyangar :—" May I know, in view of that, whether the Government will take any steps to see that liquidation proceedings are not proceeded with and that Government would see that the concern may not be sold ? "

Mr. A. McG. C. Tampoe :—" I fail to see how it is a function of the Government under the State-aid to Industries Act.''

Mr. C. V. Venkataramana Ayyangar :—" I only say that the Government has not realized its responsibility for the creditor to see that the concern is not sold or taken possession of by the Official Receiver and the money is got by some means or other ? "

Mr. A. McG. C. Tampoe :—" We are not now in a position to say."

Mr. C. V. Venkataramana Ayyangar :—" May I ask, Sir, whether it is not a fact that if an Official Receiver is appointed the property will have to be in the hands of the Official Receiver for purposes of sale ? "

Mr. A. McG. C. Tampoe :—" I want notice, Sir. We have to take legal opinion on that."

Mr. C. V. Venkataramana Ayyangar :—" May I know, Sir, if the name of the Hindu gentleman is confidential and whether he is not acting on behalf of a group of foreigners ? "

Mr. A. McG. C. Tampoe :—" Notice, Sir."

Mr. C. Gopala Menon :—" Mr. President, Sir, when the cash loan of Rs. 4,71,000 was granted to this concern, did the Government promise any working capital ? "

Mr. A. McG. C. Tampoe :—" As far as I know, no such promise was given."

Mr. C. Gopala Menon :—" Was there no promise of a working capital at the time the loan was advanced ? "

Mr. A. McG. C. Tampoe :—" Notice, Sir."

Mr. P. Anjaneyulu :—" May I know whether the person who is dealing with the Government in this matter does not belong to the Best and Company ? "

Mr. A. McG. C. Tampoe :—" As far as I know, he does not."

Mr. Sami Venkatachalam Chetti :—" Mr. President, Sir, in reply to question (*f*) the Government say that the delay has been due to the need felt for further investigation as to the commercial possibilities of the concern. May I know whether these investigations are besides what have been carried on by both Messrs. Raitt and Thomas ? "

Mr. A. McG. C. Tampoe :—" These are in addition to these investigations."

Mr. Sami Venkatachalam Chetti :—" Who was the gentleman who was entrusted to carry on this investigation ? "

Mr. A. McG. C. Tampoe :—" At present the Director of Industries has been asked to investigate."

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Mr. SAMI VENKATACHALAM CHETTI :—"May I know, Sir, whether between the investigation of Messrs. Raitt and Thomas and at present the Director of Industries' investigation, there was any other investigation carried on by any other gentleman ?"

Mr. A. McG. C. TAMPOE :—"I believe, it was the Forest department."

Mr. SAMI VENKATACHALAM CHETTI :—"May I ask, Sir, whether it is not the legitimate occupation of the Forest Officer to investigate this question of the commercial possibility ?"

Mr. A. McG. C. TAMPOE :—"The legitimate function of the Forest Officer is to see how much bamboo there was to meet the demand."

Mr. SAMI VENKATACHALAM CHETTI :—"Was not the Forest Officer's opinion with regard to the availability of bamboo got even before the examination of Messrs. Raitt and Thomas ?"

Mr. A. McG. C. TAMPOE :—"More detailed information was got later."

Mr. SAMI VENKATACHALAM CHETTI :—"May I take it that the Director of Industries recommended to the Government of Madras a grant of 4 lakhs cash and an overdraft of 2 lakhs without the opinion of the Forest Officer about the availability of bamboo ?"

Mr. A. McG. C. TAMPOE :—"We had the opinion of the Forest Officer."

Mr. K. V. R. SWAMI :—"Is it a fact that the Director of Industries recommended that this mill should be worked so that people may know that it is in working order. Is it his last recommendation ?"

Mr. A. McG. C. TAMPOE :—"Notice, Sir."

Mr. C. RAMASOMAYAJULU :—"Is it a fact, Sir, that Government wants to transfer their mortgage right to a firm of Europeans and Persians ?"

Mr. A. McG. C. TAMPOE :—"The whole question is under the consideration of Government."

Mr. C. RAMASOMAYAJULU :—"May I know, Sir, if the mortgage bond consists a clause for foreclosure and for sale ?"

Mr. A. McG. C. TAMPOE :—"Notice, Sir."

Dr. B. S. MALLAYYA :—"May I know from the Development Minister whether he is aware of any paper being made there now ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—"At Madras or at Rajahmundry ?"

Dr. B. S. MALLAYYA :—"Are you making any paper in Madras ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—"That is what I am asking."

Mr. C. GOPALA MENON :—"May I know what the Government propose to do to get back the money they had already advanced ?"

The hon. Mr. M. R. SETURATNAM AYYAR :—"That is under consideration."

*The hon. the PRESIDENT :—"As the self-imposed time-limit of the Opposition has now expired, the Council will now proceed with the consideration of the demands.